



# A STUDY ON CSR DISCLOSURE PRACTICES OF SELECTED INDIAN BANKS

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## ABSTRACT

In this paper, selected ten Indian banks' Corporate Social Responsibility (CSR) activities were analyzed, and their performance was ranked on the basis of 10 parameters. Data were collected and studied on websites, in annual reports and sustainability CSR reports from all selected banks. State Bank of India and Bank of Baroda are the top performers among the public-sector banks, while ICICI Bank is the top performer among the private-sector banks. CSR activities are mostly carried out in the fields of education, community welfare, and rural development in the case of public sector banks. On the other hand, banks in the private sector focus more on activities relating to community welfare, education and rural development.

**KEYWORDS:** CSR, Indian companies, Bank.

## INTRODUCTION

The Indian government had suggested that all Indian corporations should spend 2% of their profits on programs of social responsibility. It works at US\$ 2 bn (around 87 bn) a year.<sup>1</sup> The government does not require it. Even then, Indian corporates have created awareness to spend more on social relationships with their customers and other stakeholders. Not to be left behind is the Indian banking sector. State Bank of India (with government of India, the majority stakeholder) announced in August 2011 that it would spend US\$ 2 million (nearly 45,977 million mn) on this program, which included donating fans to schools in the vicinity of all its 13,000 bank branches. <sup>2</sup> This announcement by India's largest bank signals the increasing speed at which Indian banks may attempt to catch up with their peers through Corporate Social Responsibility (CSR) initiatives to develop relationships with their stakeholders.

As the regulator for banks in India, the Reserve Bank of India (RBI) has asked the banks to pay particular attention to integrating social and environmental concerns into their business operations. <sup>3</sup> According to the 2009 Corporate Social Responsibility Voluntary Guidelines issued by the Ministry of Corporate Affairs, Government of India, 'Companies should disseminate information on CSR policies, activities and progress in a structured manner to all of their stakeholders and the general public through their website, annual reports, and other media.' Accordingly, in the minds of consumers and other stakeholders many organizations are actively involved in CSR activities to project their corporate brand.

The above explanations make a strong case for reviewing the financial reports and websites as the organizations are expected to provide their stakeholders with accurate and responsible information about their operations. Thus, all banks in the sample are analyzed for the data available from the websites, annual reports and sustainability / CSR reports to:

- Analysis of CSR disclosure practices by Indian private and public sector banks;
- Study client awareness about the banks' CSR practices; and
- Survey the degree of consumer perceptions for CSR activities to be adopted by public and private sector banks.

## LITERATURE REVIEW

Kostyuk et al. (2009) suggested that German banks have only slowly accepted that their corporate socially responsible behavior should be related to their core business practices as compared to the retail sector.

Multi-National Corporations' (MNCs) non-regulation with respect to their social and environmental responsibility has had significant implications, although on the more vulnerable and voiceless parts of the global community as Engobo et al. (2010) reported. They also suggested that the scope of global regulations needs to be broadened. Jayashree (2010) noted that Indian banking as a whole, as part of the CSR, should take seriously the issue of opening no-frill accounts and make deliberate efforts to achieve financial inclusion.

Suresh and Sudeepta (2011) indicated that the measures supporting CSR should be strictly addressed and implemented. The financial institution will face a lot of problems unless and until environmental authorities become stricter and more

stringent about this. If only business institutions recognized broader social goals in their activities, there may be general, social and economic benefits that would add to society. Chaudhury et al. (2011) conducted a comprehensive study of all the banks and financial institutions involved in socio-economic development, rural development, and community development. They concluded that all financial and banking institutions share priority sector lending, microfinancing, MSME finance, and environmental excellence project.

A study conducted by Senthikumar et al. (2011) on the impact of CSR on customer satisfaction in banking service found that customer satisfaction is the mediating factor in the quality of banking service, and the CSR is the most influential factor for customer satisfaction. Customer satisfaction is the most important predictor of the quality of the banking services. The management will ensure that their clients provide equal and timely service in the banking environment. CSR has a strong impact on customer satisfaction about the efficiency of the banking service.

Jayashree and Neeta (2011) disagree over CSR practices and ratings in the Indian banking sector. They informed that CSR is a concept whereby financial institutions consider not only their productivity and growth but also the well-being of society and the environment by assuming responsibility for the impact of their activities on shareholders, employees, customers and NGOs represented civil society.

CSR is an important source of prestige, capable of generating economic value over time. In addition, there is a relationship between CSR and the banks' Corporate Reputation (CR), which is very important in meeting the expectations of all stakeholders, as Trotta et al. (2011) quoted.

A norm for rating CSR activities in banking sectors needs to be established, and it can pave the way for CSR accountability, as suggested by Sanjay (2012).

Saxena (2012) claimed that the primary incentive for companies to exercise social responsibility should be a moral and ethical one, rather than financial. CSR therefore has an important role to play, particularly in building confidence in consumers' minds.

Mukherjee (2012) mentioned that the RBI, together with the commercial banks, must understand that their viability and profitability will only be sustained for a longer period of time if there is total financial inclusion. It is also found that the governments (central as well as state) understand that the pro-poor measures they are taking in the form of subsidies or welfare schemes do not actually reach the deserving. The only solution is direct transfer of cash to individuals, which again demands total financial inclusion. Sigurthorsson (2012) observed that the banks seemed mainly as a philanthropic activity to be attracted to the idea of CSR. It has been mentioned in particular that the manner in which the banks in question conceived CSR, i.e. primarily in terms of strategic philanthropy, was gravely misguided.

Andrea and Ignacio (2012) mentioned that while companies are increasingly integrating CSR into their business strategies, there are some aspects of their management that detract from their success, such as their communication or the measurement of its results. According to Singh and Agarwal (2013), in order to project a more socialistic image, banks with state or federal governments as large

shareholders must focus their attention on CSR areas differently.

Sharma and Mani (2013) mentioned that while the Indian banks are making sustained efforts in the CSR areas, there is a lot to be done. There are some banks that do not even satisfy the regulatory requirements. Public sector banks have made the largest contribution to CSR activities overall. In this area, private sector banks and foreign banks remain lagging. In their study Kshitiz and Amar (2013) mentioned that CSR is not compulsory in Nepal.

Banks have, however, made voluntary disclosures. In addition, growth of children and women, religious engagement, games and athletic events, and blood donations were among the driving fields for CSR coverage. Deepika and Rama (2014) reported that there is no mandatory reporting requirement for CSR activities that trigger negligence on reporting issues. They also noted that some banks are clearly making false claims about their socio-environmental efforts.

#### RESEARCH METHODOLOGY

In this study, researcher has taken 6 banks to analyse the CSR disclosure practices.

3 public sectors and 3 private sectors banks has been taken for this study

#### PUBLIC BANKS

- State Bank of India
- Bank of Baroda
- Bank of India

#### PRIVATE BANKS

- ICICI Bank
- HDFC Bank
- Axis Bank

Annual reports for the year 2018-19 has been studied to analyse the CSR disclosure practices of these selected 6 banks of India. Researcher has given 1 point for each CSR activities disclosed by the companies in their annual reports

#### DATA ANALYSIS

PARAMETERS	PUBLIC BANKS			PRIVATE BANKS		
	State Bank of India	Bank of Baroda	Bank of India	ICICI Bank	HDFC Bank	Axis Bank
Health	1	0	0	1	0	0
Education	1	1	1	1	1	1
Community Welfare	1	1	1	1	1	1
Entrepreneur Development	1	1	0	1	0	1
Environment	1	1	0	0	1	0
Rural Development	1	0	1	1	1	1
Employee Development	0	0	0	0	1	0

PARAMETERS	TOTAL POINTS	
	PUBLIC BANKS	PRIVATE BANKS
Health	1	1
Education	3	3
Community Welfare	3	3
Entrepreneur Development	2	2
Environment	2	1
Rural Development	2	3
Employee Development	0	1

TOTAL POINTS	
PUBLIC BANKS	
State Bank of India	6
Bank of Baroda	4
Bank of India	3
PRIVATE BANKS	
ICICI Bank	5
HDFC Bank	5
Axis Bank	4

PARAMETERS	TOTAL POINTS
Health	2
Education	6
Community Welfare	6
Entrepreneur Development	4
Environment	3
Rural Development	5
Employee Development	1

#### CONCLUSION

The paper obtained the following study of the CSR activities of 3 public sector and 3 private sector banks in India, and rating their performance on the basis of 7 parameters:

- Major differences between public-sector bank and private-sector bank CSR practices are observed in four areas, namely Environment, Rural Development and Employee Development.
- Private sector banks perform on all CSR parameters but show much less concern for employee development, while public sector banks do not perform any CSR practice in the area of health and employee development at all.
- The majority of CSR operations are carried out by public sector banks in the fields of education and community welfare, while, for the private sector, they focus mainly on community welfare, education and rural development.
- State Bank of India is the top performers in the public banking sector category, while Bank of Baroda and Bank of India are the least scorers.
- ICICI Bank and HDFC bank are the top-performer in the category of private banking, while Axis bank the least-performing.

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